

2023 Financial Statement Summary & Analysis

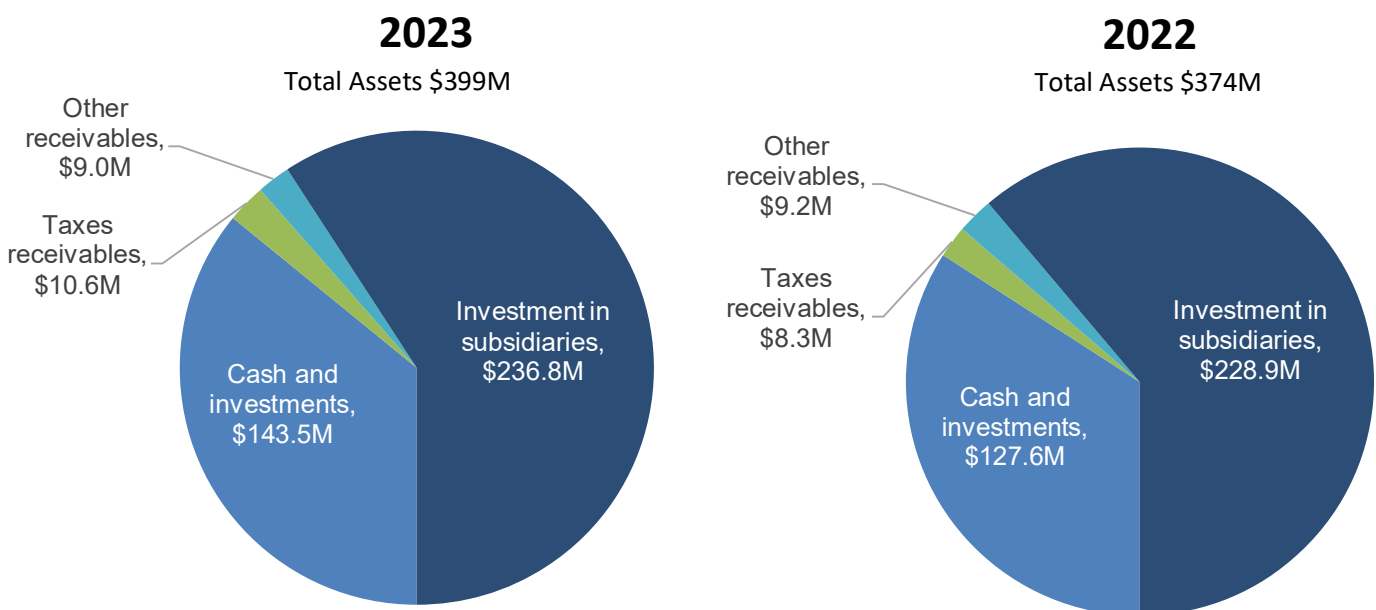
Consolidated Statement of Financial Position (Balance Sheet)

What we own (Assets)

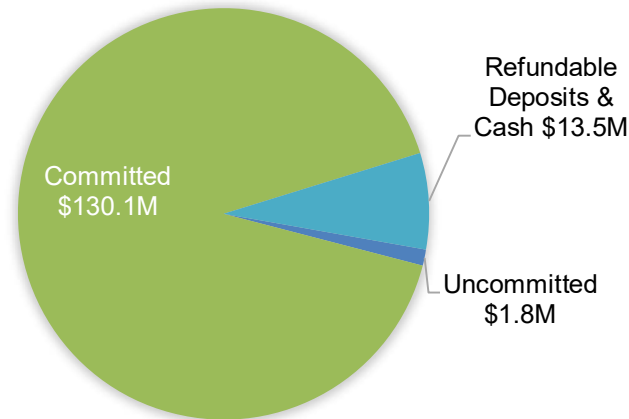
Assets	2023		2022		Change	
Cash and investments	143,540,997	35.89%	127,558,331	34.10%	15,982,666	12.53%
Taxes receivables	10,596,491	2.65%	8,325,866	2.23%	2,270,625	27.27%
Other receivables	9,032,901	2.26%	9,231,110	2.47%	(198,209)	(2.15%)
Investment in subsidiaries	236,774,681	59.20%	228,963,728	61.21%	7,810,953	3.41%
	\$399,945,070	100.00%	\$374,079,035	100.00%	\$25,866,035	

The \$25.9M increase in financial assets for the Town is mainly attributed to the following:

- Cash and investments have increased from 2022 due to the delay of capital works, and as a result, funds committed to capital projects remain unspent. Investments include \$10M in GICs, Prudent Investor bonds and equity funds of \$48.9M, and ONE Investment high interest savings account of \$65.5M.
- Taxes receivables have increased from 2022 to a total of \$10.6M. As a percentage of current year taxes billed, the year-end taxes receivable is 10.12% compared to 8.62% for 2022. Arrears attract a 15% annual interest charge and amounts owing after three years are subject to a legal tax sale process that protects the Town's financial interest in the property.
- Other receivables have decreased due to payments received for contractual amounts committed by donors to the Rizzardo Health and Wellness Centre, and received transit related receivables. There was also a decrease in HST receivable as a result of capital works. This is partially offset by the receivable for Killarney Beach Road laterals to be collected from benefitting existing landowners along the servicing route.
- Increase in investment in subsidiaries is due to the equity pick up for InnServices Utilities Inc. of \$5.2M, InnPower Corporation of \$2.5M and Innterprises Inc. of \$68K.



2023 CASH & INVESTMENTS \$143.5M



Cash at the end of the year is comprised of the following:

- Uncommitted – includes operating stabilization reserves of \$11.3M and capital reserves needed to support future planned capital works.
- Committed - unspent capital reserves for approved capital projects
- Refundable deposits & operating cash – this includes refundable security deposits related to subdivision agreements and lot grading.

Non-Financial Assets	2023		2022		Change	
Prepays	1,200,369	0.32%	1,030,443	0.28%	169,926	16.49%
Other	343,584	0.09%	346,203	0.09%	(2,619)	(0.76%)
Tangible capital assets	378,149,755	99.59%	366,317,146	99.63%	11,832,609	3.23%
	\$379,693,708	100.00%	\$367,693,792	100.00%	\$11,999,916	

The \$12M increase in non-financial assets for the Town is mainly attributed to the following changes in tangible capital assets:

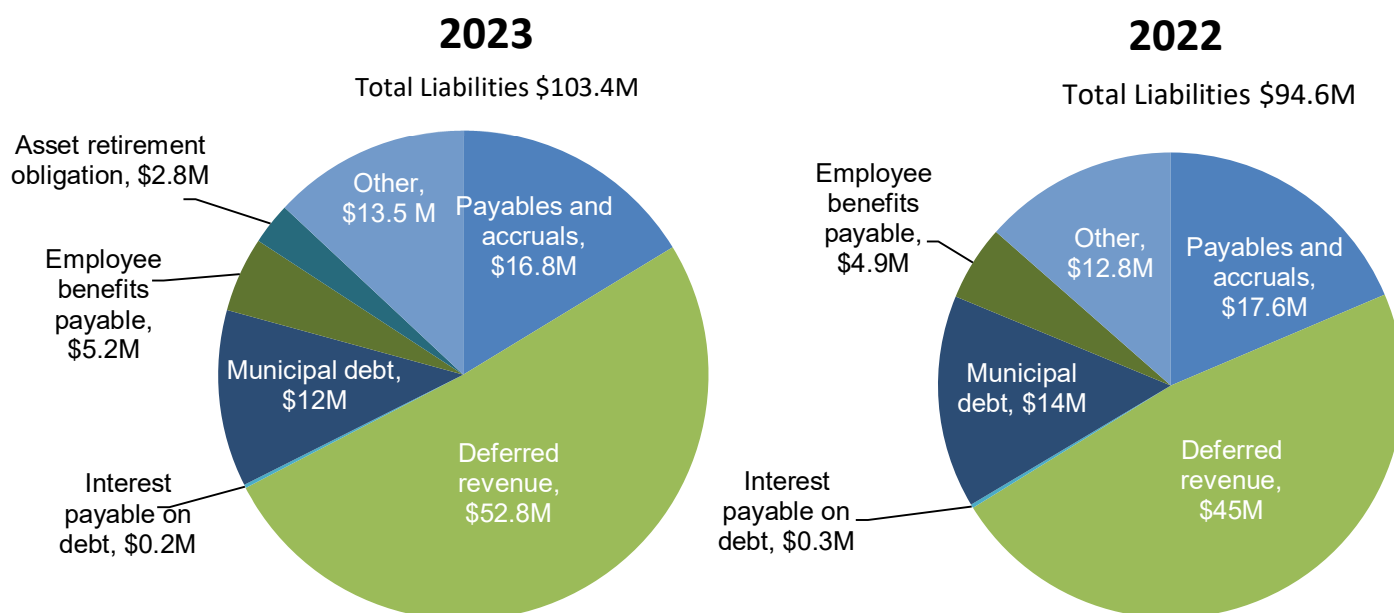
- Capital asset additions and works in progress include the following significant capital works:
 - Road Rehabilitation Program, \$11.1M
 - Contributed Assets from Development, \$3.8M
 - Various Road/Sidewalk Works, \$1.8M
 - Various Facility Improvement Programs, \$1.4M
 - Replacement of Fire Vehicles, \$1.3M
 - Storm Pond Cleanout/Retrofit Program, \$1.1M
 - Replacement of Vehicles & Equipment, \$0.9M
 - New Development Parks Program, \$0.6M
 - Trail Program Master Plan Implementation, \$0.5M
 - Innisfil Beach Park Master Plan Improvements, \$0.5M
 - Town Square, \$0.4M
 - Playground Replacement Program, \$0.3M
 - Acoustical Fence Replacements, \$0.3M
 - Streetlight Program, \$0.2M
- Capital additions are offset by \$15.4M in amortization expensed for 2023

What we owe (Liabilities)

Liabilities	2023		2022		Change	
Payables and accruals	16,838,088	16.28%	17,606,644	18.60%	(768,556)	(4.37%)
Deferred revenue	52,847,519	51.09%	45,016,651	47.56%	7,830,868	17.40%
Interest payable on debt	235,550	0.23%	271,854	0.29%	(36,304)	(13.35%)
Municipal debt	12,063,050	11.66%	14,007,412	14.80%	(1,944,362)	(13.88%)
Employee benefits payable	5,153,283	4.98%	4,924,650	5.20%	228,633	4.64%
Asset retirement obligations	2,843,250	2.75%	-	-	2,843,250	100.00%
Other	13,466,226	13.02%	12,822,413	13.55%	643,813	5.02%
	\$103,446,966	100.00%	\$94,649,624	100.00%	\$8,797,342	

The \$8.8M increase in financial liabilities for the Town is primarily attributable to the following:

- The \$769K decrease in payables and accruals relates to timing of payments for capital works progress payments.
- Deferred revenue has increased by \$7.8M related to development charge revenues, and development charge funds that have been approved for capital projects but remain unspent at year-end. Spending is planned to occur over future years as growth projects are completed.
- Reduction in municipal debt reflects annual debt principal repayments for the Innisfil Recreation Centre, Town Hall, Police and Cookstown Library.
- Asset retirement obligations of \$2.8M represents the legal obligation to remove any known presence of asbestos in Town owned buildings and costs to decommission wells.
- The other liabilities increase is primarily due to an increase in refundable developer security deposits.



Net Worth (Accumulated surplus)

Accumulated Surplus	2023		2022		Change	
Accumulated surplus - Operating	1,108,797	0.16%	(71,695)	(0.01%)	1,180,492	(1,646.55%)
Accumulated surplus - Capital	47,390,089	7.01%	42,085,794	6.50%	5,304,295	12.60%
Investment in tangible capital assets	378,149,755	55.92%	366,317,146	56.61%	11,832,609	3.23%
Asset retirement obligations	(2,843,250)	(0.42%)	-	-	(2,843,250)	(100.00%)
Reserve and reserve funds	32,418,822	4.79%	28,475,674	4.40%	3,943,148	13.85%
Investment in subsidiaries	236,774,681	35.02%	228,963,728	35.38%	7,810,953	3.41%
Unfunded debt and other	(16,807,082)	(2.49%)	(18,647,444)	(2.88%)	1,840,362	(9.87%)
	\$676,191,812		\$647,123,203		\$29,068,609	

- Accumulated surplus – Operating: consists of the Town surplus (\$1.094M), the Library surplus (\$22K)
- Accumulated surplus – Capital: This surplus is represented by projects where funding sources have been applied (excluding development charges) but expenditures have not yet occurred. As the project proceeds and costs are incurred, the expenditures will form part of the tangible capital assets reported on the balance sheet.
- Asset retirement obligations represent estimated future costs to remediate assets with a legal obligation such as asbestos in buildings and decommissioning wells. These costs would be funded from the future revenues.
- The balance in the reserve and reserve funds represents cash that the Town has set aside for future operating and capital needs.
- Unfunded debt and other largely represents debt to be funded from future revenues.

Consolidated Statement of Operations and Accumulated Surplus (Income Statement)

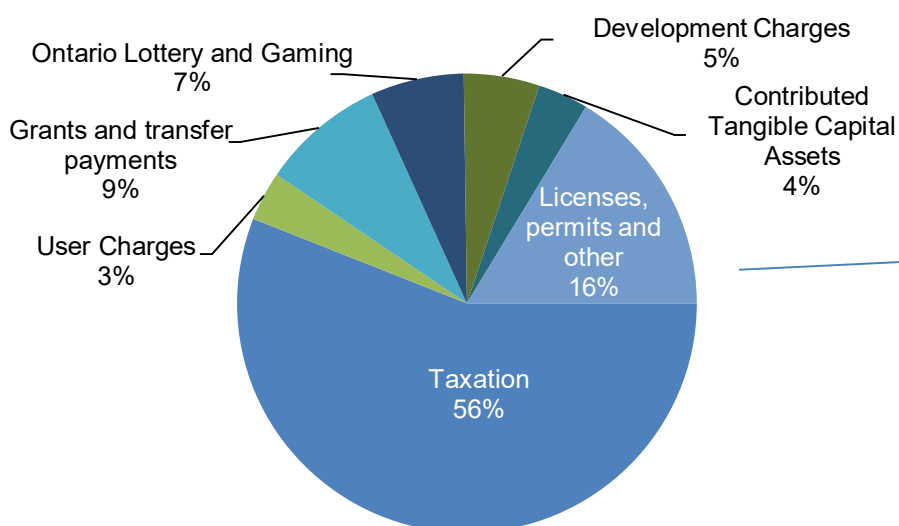
Where the money came from (Revenue)

Revenue	Budget	2023		Variance	
Taxation	58,881,299	59,172,801	55.98%	291,502	0.50%
User Charges	3,415,410	3,693,290	3.49%	277,880	8.14%
Grants and transfer payments	7,568,317	9,232,023	8.73%	1,663,706	21.98%
Ontario Lottery and Gaming	6,200,000	6,953,090	6.58%	753,090	12.15%
Development Charges	44,493,437	5,638,237	5.33%	(38,855,200)	(87.33%)
Contributed Tangible Capital Assets	-	3,761,418	3.56%	3,761,418	100.00%
Licenses, permits and other	16,154,682	17,249,066	16.32%	1,094,384	6.77%
	\$136,713,145	\$105,699,925	100.00%	(\$31,013,220)	

The \$31M in revenues less than budgeted for the Town is primarily due to:

- Grants are higher than budgeted due to additional grant funding received from Ontario Community Infrastructure Fund (OCIF) for roads rehabilitation, Ontario Trillium Foundation (OTF) for Lefroy facility refresh, Skills Development Fund and Building Safer Communities Fund.
- Ontario Lottery and Gaming (OLG) revenues returned to pre-COVID levels. OLG revenues are transferred to the Alternative Revenue Source Reserve Fund and used to fund one-time strategic initiatives and the benefit to existing (BTE) portion of growth-related capital projects.
- The development charges budget reflects capital projects approved in 2023; however, revenue is recognized when the works are completed. While the 2023 approved capital projects are budgeted in 2023, many projects are planned to occur over a 2-3 year time frame. As such, revenue recognized is less than budgeted due to capital works being carried forward into 2024. The most significant component relates to roads capital works. The development charge revenue will be recognized in future years when the works are completed.
- Contributed tangible capital assets of \$3.7M from developers is an unbudgeted revenue recorded when the works in the subdivision agreements are completed.
- The increase in licenses, permits and other is mainly a result of external contributions budgeted for capital projects that did not materialize as projects were delayed and carried forward into 2024.

Percentage of Revenue



Breakdown of Licenses, permits and other:

Licenses and permits	3.66%
External Recoveries	5.07%
Provincial Offences Act (POA)	0.07%
Penalties and Interest on Taxes	1.43%
Investment Income	2.60%
Reserve Fund Interest	2.25%
Donations	0.16%
Other	1.08%
Total	16.32%

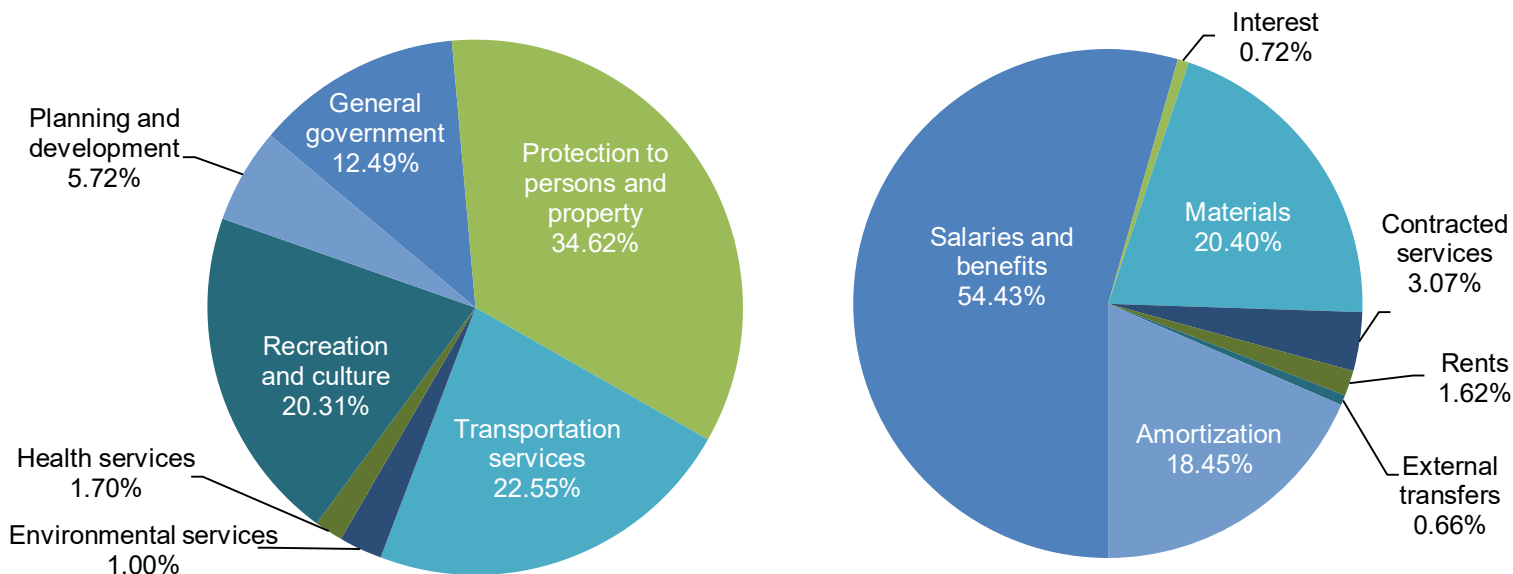
What the money was used for (Expenditures)

Expenditures	Budget	2023		Variance	
General government	11,720,437	10,390,232	12.49%	1,330,205	11.35%
Protection to persons and property	27,974,162	28,816,457	34.62%	(842,295)	(3.01%)
Transportation services	21,383,113	18,767,188	22.55%	2,615,925	12.23%
Environmental services	2,246,902	2,170,536	2.61%	76,366	3.40%
Health services	1,350,574	1,416,106	1.70%	(65,532)	(4.85%)
Recreation and culture	16,755,025	16,906,029	20.31%	(151,004)	(0.90%)
Planning and development	6,390,118	4,759,689	5.72%	1,630,429	25.51%
	\$87,820,331	\$83,226,237	100.00%	\$4,594,094	

The \$4.6M less than budgeted expenditure for the Town is mainly attributable to:

- General government expenses are lower than budget as capital projects budgeted in 2023 have been carried forward into 2024. Included are projects such as Asset Management Plan implementation, Review of Utility Partners and Community Neighbourhood Resilience Strategy.
- In Transportation, the variance is largely a result of drainage works that has been delayed for South Innisfil Drain (\$1.8M) and Carson Creek Improvements (\$1.6M). Until cancelled or completed any unexpended capital budget is brought forward to the following year to be reported against expenditures incurred in that year.
- Planning and Development expenses are lower than budgeted primarily due to various planning studies and consulting costs that will occur in future years.

Percentage of Expenditures



Financial Indicators

	2023 BMA Survey Average**	2023	2022	2021	2020	2019
Sustainability						
Financial Assets to Liabilities *	N/A	1.92	1.88	1.74	1.79	3.77
Financial Position per Capita *	\$ 1,024	\$2,133	\$1,887	\$1,717	\$1,457	\$1,512
Flexibility						
Tax Discretionary Reserves as a % of Taxation	100%	55%	53%	51%	65%	76%
Debt to Reserve Ratio	0.6	0.4	0.5	0.6	0.6	0.5
Vulnerability						
Taxes receivable as a % of Taxes Levied	6.5%	10.1%	8.6%	8.1%	10.1%	9.6%
Tax Debt interest as a % of own source revenue	1.0%	0.7%	0.8%	1.0%	1.5%	1.3%

* The Town's investment in InnServices has been removed in the calculation to enable a better comparison to the BMA results.

** The 2023 BMA survey results are based on 2022 financial information

Sustainability

Sustainability measures the Town's ability to maintain its existing service and financial commitments without increasing debt or tax burden on its residents.

The Financial Assets to Liabilities ratio measures the Town's ability to pay short and long-term obligations. To have a ratio greater than one demonstrates the Town's ability to pay off liabilities without burdening the taxpayer.

The Financial Position per Capita ratio is the net Financial Assets on a per capita basis. A positive balance indicates the Town's ability to cover its debt obligations and set aside funds for future sustainability. These ratios have increased in 2023 due to a variety of factors including unspent funds for approved capital projects and an increase in investment in subsidiaries.

Flexibility

Flexibility measures the degree to which the Town uses debt instead of increasing taxation to meet its operating and capital commitments.

The Tax Discretionary Reserve as a Percent of Taxation measures the Town's flexibility in meeting operating needs & temporary internal borrowing for capital. The adequacies of reserves to meet future requirements are an integral indicator of long-term financial stability. The decrease in 2022 & 2021 reflects the enhanced capital replacement plan for road rehabilitation and other asset renewal projects undertaken, combined with limiting the annual increase in the capital levy increase to 0% in 2021 and 0.5% in 2022 due to budgetary constraints. For 2023, the Town has resumed the annual 1% increase in the capital levy. The capital levy is essential funding utilized to address asset management programs to achieve maximum life cycles and to replace aging or end of life assets.

The Debt to Reserve Ratio indicates the relationship of reserves available to the amount of debt issued. It is ideal to have a ratio less than 1 as this means that the debt outstanding does not exceed the reserve balance.

Vulnerability

Vulnerability measures the Town's dependence on external sources that it cannot always control and its exposure to risk.

The Taxes Receivable as a Percent of Taxes Levied can be an indication of the local economy and the ability of the community to pay their annual tax billings. The results are also reflective of different tax collection processes. The Town of Innisfil historically has not started more aggressive collection efforts until the property has reached three years of tax arrears, however other municipalities may be employing these collection efforts earlier in the process at two years. Other factors contributing to the increase include a larger supplementary tax billing towards the end of 2023 and the timing of collections for properties registered for tax sale, as the majority of 2023 tax sale registrations were not resolved until 2024.

Tax Debt Interest as a Percent of Own Source Revenue indicates the percentage of debt interest compared to own revenues from taxation, user fees, permits, fines etc. (excluding development charges and government funding). The Town relies on OLG and DC revenues to pay for a significant portion of the debt (principal and interest) and this measure indicates vulnerability to the municipality if those revenues sources are not available. The Town's ratio decreased as own source revenues such as penalties and interest, donations, and contributed tangible capital assets increased. However, debt continues to be paid off, incurring less interest without the addition of new debt.